

TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: February 1, 2012

### Monthly General Fund Receipts through January 31, 2012

The spreadsheet at the end of this document presents FY 2012 General Fund total net receipts with comparable figures for actual FY 2011. The figures can be compared to the FY 2012 estimate of \$5.921 billion set by the Revenue Estimating Conference (REC) on December 15, 2011. The FY 2012 estimate is an increase of \$107.2 million (1.8%) compared to actual FY 2011 total net receipts (excludes transfers). The next REC meeting has not been scheduled.

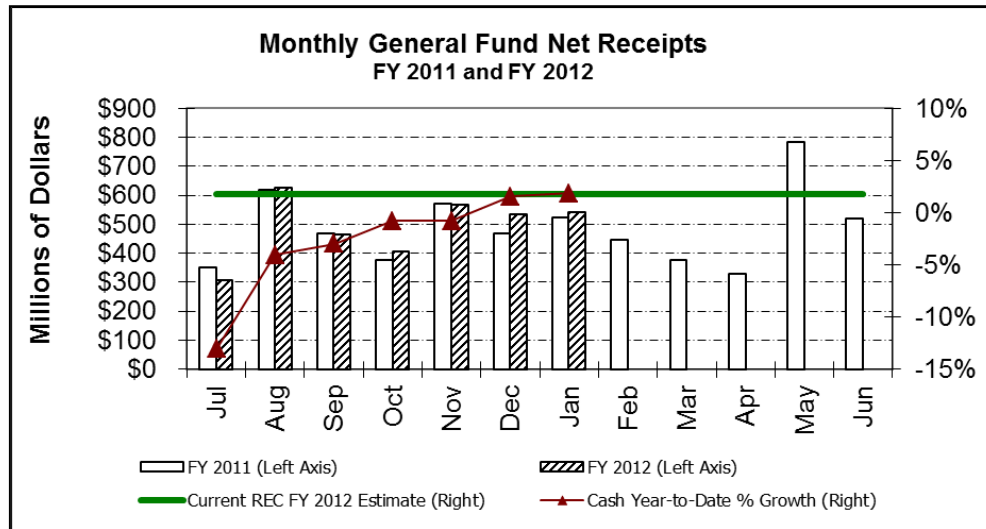
FY 2012 Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = + 1.84%						
Year-to-Date Ending:	Year-to-Date FY 2011	Year-to-Date FY 2012	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
Oct	\$1,813.9	\$1,799.9	\$ -14.0	-0.8%	\$33.4	\$ -47.4
Nov	2,385.7	2,366.8	-18.9	-0.8%	44.0	-62.9
Dec	2,855.6	2,899.4	43.8	1.5%	52.7	-8.9
Jan	3,378.1	3,440.7	62.6	1.9%	62.3	0.3
Feb	3,824.8					
Mar	4,202.4					
Apr	4,530.5					
May	5,312.4					
Jun	5,833.4					
Year end	5,813.4					

### FY 2012 Compared to FY 2011

Year-to-date FY 2012 total net receipts (excluding transfers) increased \$62.6 million (1.9%) compared to FY 2011. Fiscal year 2012 net General Fund revenues were negatively impacted by a law change that requires the first \$106.0 million of cigarette and tobacco tax revenue to be deposited in the Health Care Trust Fund (HCTF). Without this deposit change, net General Fund receipts would be up approximately 5.3% for the fiscal year. Major revenue sources and their contribution to the FY 2012 change include:

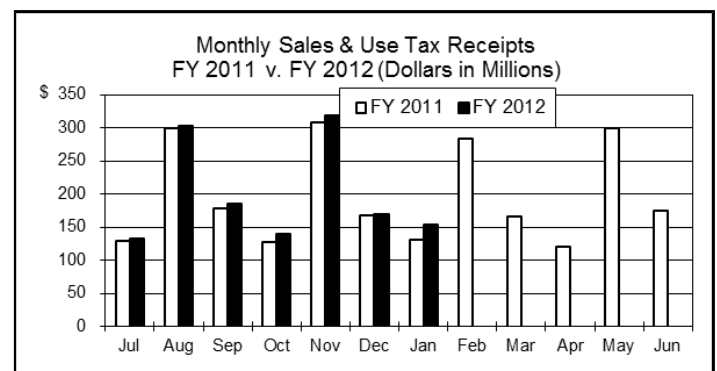
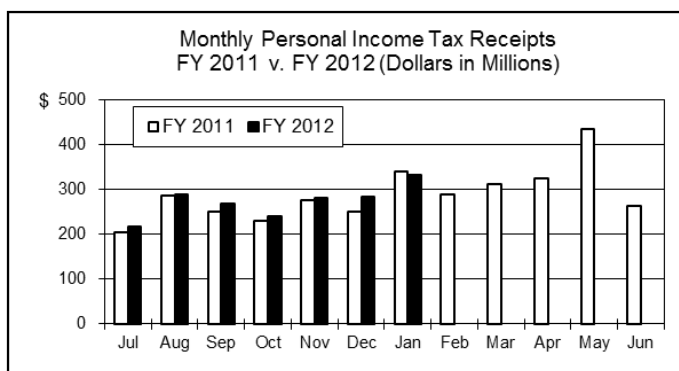
- Personal income tax (positive \$74.0 million, 4.0%)
- Sales/use tax (positive \$61.8 million, 4.6%)

- Corporate tax (positive \$67.7 million, 35.8%)
- Other taxes (negative \$102.4 million, -40.8%)
- Other receipts (positive \$21.9 million, 10.7%)
- Tax refunds not including school infrastructure refunds (negative \$30.7 million)
- School infrastructure sales/use tax refunds (negative \$29.8 million)



**Personal Income Tax** revenue received in January totaled \$333.2 million, a decrease of \$5.8 million (-1.7%) compared to January 2011. The January decrease comes after a large increase in December, indicating deposit timing impacted both months.

The FY 2012 REC income tax estimate of \$3.584 billion represents a projected increase of 3.5% compared to actual FY 2011. Through January, gross income tax receipts increased 4.0%. By subcategory, withholding payments increased \$41.2 million (2.6%), estimate payments increased \$23.2 million (10.1%), and payments with returns increased \$9.6 million (17.5%). The following graph on the left compares FY 2012 monthly income tax receipts for the three personal income tax subcategories to FY 2011.



**Sales/Use Tax** receipts received in January totaled \$154.3 million, an increase of \$24.3 million (18.7%) compared to January 2011. The January increase comes after a large decrease in late December, indicating deposit timing impacted both months.

The REC estimate for FY 2012 sales/use tax receipts is \$2.446 billion, an increase of 2.7% compared to actual FY 2011. Through January, sales/use tax receipts increased 4.6%. The preceding graph on the right compares FY 2012 monthly sales/use tax receipts with FY 2011.

**Corporate Tax** receipts received in January totaled \$41.2 million, an increase of \$10.5 million (34.2%) compared to January 2011.

The REC estimate for FY 2012 corporate tax revenue is \$450.7 million, an increase of 14.2% compared to actual FY 2011. Through January, corporate income tax receipts increased 35.8%.

**Other tax receipts** received in January totaled \$28.0 million, a decrease of \$2.0 million (-6.7%) compared to January 2011.

The REC estimate for FY 2012 other tax revenue is \$338.4 million, a decrease of 23.5% compared to actual FY 2011. Through January, other tax receipts decreased 40.8%. Cigarette and tobacco taxes are part of other tax receipts and cigarette and tobacco taxes have been negatively impacted due to a 2011 law change that altered the destination of \$106.0 million in cigarette/tobacco tax revenue. This change has decreased FY 2012 State General Fund revenue and increased revenue to the Health Care Trust Fund (HCTF). The HCTF reached the allotted \$106.0 million in December, so all tobacco and cigarette tax revenue will be deposited to the General Fund for the remainder of the fiscal year.

**Other receipts** (nontax receipts) received in January totaled \$52.6 million, an increase of \$9.6 million (22.3%) compared to January 2011. The increase was the result of a transfer from the Unclaimed Property Fund to the General Fund. Those transfers occur on an irregular schedule once or twice each fiscal year.

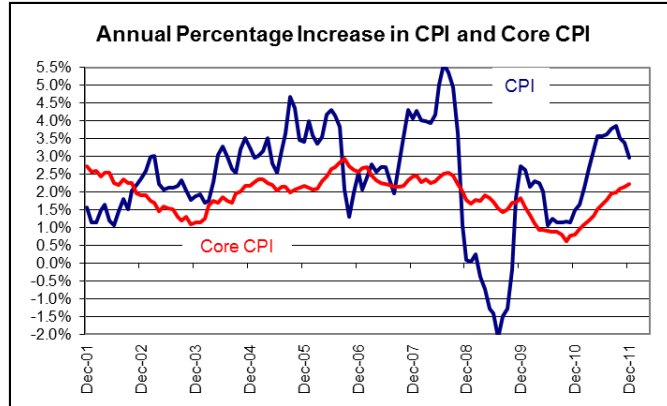
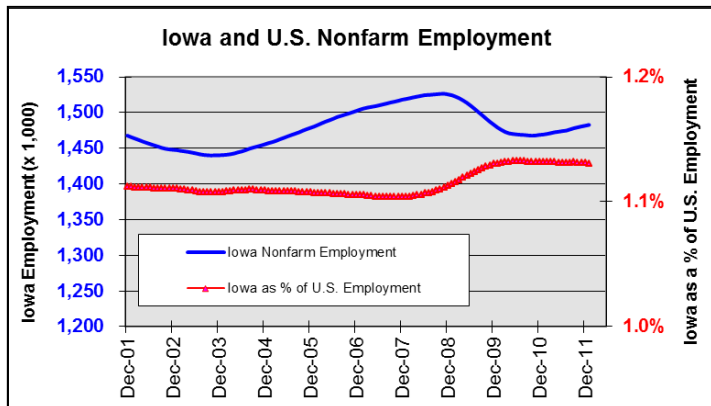
The REC estimate for FY 2012 other receipts revenue is \$339.9 million, an increase of 0.5% compared to actual FY 2011. Through January, other receipts increased 10.7%.

**Tax Refunds** issued in January totaled \$35.2 million, an increase of \$16.0 million (83.3%) compared to January 2011. Last year, the start of the tax refund season was delayed by late changes to federal income tax forms. In addition to regular refunds, school infrastructure refunds totaled \$32.9 million for the month, an increase of \$2.1 million compared to January 2011. For the cash year, regular tax refunds have increased \$30.7 million and school infrastructure refunds have increased \$29.8 million.

## Status of the Economy

Iowa nonfarm employment was reported at 1,495,900 for the month of December (not seasonally adjusted), 13,100 higher (0.9%) than December 2010.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,482,800, resulting in an annual average Iowa nonfarm employment level 43,600 below the October 2008 peak.



The employment graph also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since that time, Iowa's percent of U.S. employment has declined slightly as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment.

The Consumer Price Index (CPI-U) through December 2011 was 225.7 (1983/84=100). Consumer prices declined 0.2% in December (not seasonally adjusted) and the annual rate of inflation stands at 3.0%, down from its recent peak of 3.9% (September).

Core CPI, an inflation measure excluding food and energy expenditures, decreased 0.1% in December and totals 2.2% year-over-year. The annual rate of core inflation bottomed at 0.6% in October 2010 and increased every month since. For the two components excluded from the core rate, energy prices are up 6.6% year-over-year while food prices are up 4.5%.

Information related to State General Fund receipts is available on the Fiscal Services Division website at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2011 vs. FY 2012 July 1 through January 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 11 Actual Compared to FY 12 REC Estimate		
	FY 2011	FY 2012	Year to Date % Change	January % Change	Actual FY 2011	Estimate FY 2012	Projected % Change
Personal Income Tax	\$ 1,838.9	\$ 1,912.9	4.0%	-1.7%	\$ 3,461.7	\$ 3,584.0	3.5%
Sales/Use Tax	1,340.4	1,402.2	4.6%	18.7%	2,381.4	2,445.5	2.7%
Corporate Income Tax	189.1	256.8	35.8%	34.2%	394.5	450.7	14.2%
Inheritance Tax	39.5	46.9	18.7%	102.6%	66.4	69.1	4.1%
Insurance Premium Tax	49.7	46.9	-5.6%	-66.7%	97.1	98.2	1.1%
Cigarette Tax* *	116.1	18.4	-84.2%	-24.5%	200.1	101.6	-49.2%
Tobacco Tax* *	16.5	5.2	-68.5%	-29.7%	27.2	15.1	-44.5%
Beer Tax	9.0	8.8	-2.2%	50.0%	14.3	14.0	-2.1%
Franchise Tax	19.5	21.7	11.3%	-22.2%	36.3	39.3	8.3%
Miscellaneous Tax	0.4	0.4	0.0%	0.0%	1.0	1.1	0.0%
Total Gross Taxes	\$ 3,619.2	\$ 3,720.3	2.8%	5.1%	\$ 6,680.1	\$ 6,818.6	2.1%
Institutional Payments	5.4	6.7	24.1%	50.0%	10.0	15.2	52.0%
Liquor Profits	53.4	54.6	2.2%	1.6%	89.3	90.5	1.3%
Interest	2.3	1.4	-39.1%	-50.0%	3.0	3.0	0.0%
Fees	17.2	16.6	-3.5%	16.7%	30.1	25.9	-14.0%
Judicial Revenue	47.9	57.4	19.8%	29.2%	101.5	112.0	10.3%
Miscellaneous Receipts	17.3	24.4	41.0%	312.5%	38.4	27.3	-28.9%
Racing and Gaming Receipts	61.7	66.0	7.0%	-5.7%	66.0	66.0	0.0%
TOTAL GROSS RECEIPTS	\$ 3,824.3	\$ 3,947.2	3.2%	6.4%	\$ 7,018.5	\$ 7,158.5	2.0%
Accrued Revenue-Net					15.0	16.6	
Tax Refunds *	-220.8	-251.5	13.9%	83.3%	-826.0	-847.0	2.5%
School Infrast. Refunds *	-225.3	-255.1	13.2%	6.8%	-394.1	-407.5	3.4%
TOTAL NET RECEIPTS	\$ 3,378.1	\$ 3,440.7	1.9%	3.5%	\$ 5,813.4	\$ 5,920.6	1.8%
<p>* For FY 2011 and FY 2012 Year-to-Date columns, refunds are presented on a cash basis. For FY 2011 Actual and FY 2012 Estimate, refunds are presented on a fiscal year basis.</p> <p>** Beginning in FY 2012, the first \$106.0 million in cigarette and tobacco tax revenue will be deposited in the Health Care Trust Fund (HCTF) instead of the General Fund.</p>							